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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

June 26, 2023

9:30 A.M.

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:30 a.m., Monday, June 26, 2023, in the Nebraska State Office Building, Lancaster Hearing Room, 301 Centennial Mall South, Lincoln, Nebraska.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, June 23, 2023. Public notice of this meeting was published in the Lincoln Journal-Star and Omaha World-Herald on Friday, June 23, 2023. K. Ackerman chaired the meeting and B. Dinges recorded the minutes.

MEMBERS PRESENT:

KELLI ACKERMAN, CHAIR
JANIS ELLIOTT, VICE-CHAIR
GERALD CLAUSEN
MIKE JAHNKE
ALLEN SIMPSON
JIM SCHULZ
JUDGE THOMAS ZIMMERMAN
MICHAEL WALDEN-NEWMAN, EX-OFFICIO

NONMEMBERS PRESENT:

RANDY GERKE
Director

ORRON HILL
Legal Counsel

TERESA ZULAUF
Controller

TYLER CUMMINGS
Retirement Plan Manager

MELISSA NUSS
Retirement Plan Manager

JOHNETTA LANG
Data Services Manager

VANESSA HOLHEN
Internal Auditor

JAYDEEP DESHPANDE
OSERS Transfer Project Manager

ZACH WELLS
Auditor of Public Accounts

ERIC ASBOE
Supreme Court

NEAL ERICKSON
Retirement Committee Legal Counsel

RYAN WALTON
State Budget Office

Agenda Item 1: K. Ackerman stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is provided electronically, via a link on the final agenda posted on the Nebraska Public Employees Retirement Systems' (NPERS) website, on the Attorney General's website, and a copy of the Act is located on the table by the door.

Agenda Items 2 and 3 – Meeting Called to Order: K. Ackerman called the June 26, 2023, Board Meeting to order at 9:30 a.m. Present at meeting: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, J. Schulz, A. Simpson, T. Zimmerman, and M. Walden-Newman.

Agenda Item 4 – Approval of Minutes: T. Zimmerman moved for approval of the minutes of the May 15, 2023, Board Meeting. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, G. Clausen, M. Jahnke, J. Schulz, A. Simpson, and T. Zimmerman. Abstain: J. Elliott. Against: None. Motion carried.

J. Elliott moved for approval of the minutes of the June 15, 2023, Board Meeting. Motion was seconded by M. Jahnke. Members voted as follows: For: G. Clausen, M. Jahnke, J. Elliott, K. Ackerman, T. Zimmerman, and A. Simpson. Abstain: J. Schulz. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & May Retirement Report:

M. Jahnke moved to approve the Budget Status Report and the May 2023 Retirement Report. Motion was seconded by T. Zimmerman. Members voted as follows: For: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: There were none.

Agenda Item 7 – OSERS Audit Report: Z. Wells, from the Auditor of Public Accounts, provided information regarding the Omaha School Employees Retirement System (OSERS) Audit.

Z. Wells stated there was a negative 11% investment return for the OSERS plan for the calendar year ending December 31, 2022. The impact of this left the plan funded at only 58%.

He mentioned OSERS lost their Retirement Benefits Manager as well as their Executive Director. This caused some difficulty in getting information to questions asked during the audit as well as several findings from last year's audit still uncorrected.

It was found that OSERS rules and regulations weren't consistent with their statutes, and it was recommended this be corrected. Changes were made to the OSERS pension application. Due to these changes, it impacted how interest was allocated to the accounts with more interest posting than intended. This impacted 24 of the 25 accounts tested, some refunds were paid out in excess, due to this, and some were underpaid as December interest wasn't included.

There were some improvements in the financial statements reviewed, however there are still adjustments that need to be made.

He stated that there are benefit and refund processing issues that need to be addressed. It was suggested OSERS maintain support for the factors used in the actuarial determined reduction factors. This will ensure that there is documentation to explain why something was done.

Z. Wells discussed purchase of service calculations in the OSERS Plan. Calculations didn't agree with their rules and regulations and there was no supporting documentation.

Service credit issues discussed stated some service credit was not included in the members file and another one didn't receive the full service credit earned.

The OSERS program, PeopleSoft, doesn't have an audit process when calculating benefits and refunds, it was recommended by the State Auditors to have that set up.

Agenda Item 8 – Investment Officer's Report: M. Walden Newman gave the quarterly investment report.

He stated as of March 31, 2023, the defined benefit plans had returned 6.1% for the fiscal year beginning July 1, 2022. The cash balance plans were up 4.5% for the plan year beginning January 1, 2023.

He said the Investment Council July 13, 2023, meeting will be the annual education retreat. The agenda will include sessions on the economy and inflation, fixed income, hedge funds and an update on the Council and State Treasurer's custodial bank request for proposal (RFP). The retreat will be held at Tiburon Golf Club in west Omaha.

Finally, M. Walden-Newman explained the Investment Council received a \$100,000 increase in spending authority from the Legislature to be able to take on direct voting of proxies. Up to this point the Council has followed industry practice and allowed its investment managers to vote proxies on the Council's behalf. Taking back proxy voting will ensure that the Council can vote proxies based on financial materiality, not for social goals. He said the Council easily sees over 50,000 proxy votes in a year. He said the Council should have a third party proxy service in place by September 2023 to manage the activity.

J. Schulz moved to approve the Investment Officer's Report. Motion was seconded by G. Clausen. Members voted as follows: For: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

The Board took a break from 10:30 a.m. to 10:40 a.m.

Agenda Item 9 – Legal/Legislative Update: O. Hill gave the Legal/Legislative Update.

LB 103 incorporated provisions of LB 104, 105, and 160.

LB 103 made some administrative corrections to the School Plan for employees required to hold certificates, but not covered by SCATA.

LB 104 made technical amendments to comply with the SECURE 2.0 Act RMD age changes.

LB 105 made technical amendments to comply with changes to USERRA that now covers State Active Duty service.

LB 160, effective September 2023, increased the County plan law enforcement additional contribution rate from:

- 1% to 2% for counties with a population of 85,000 or less.
- 2% to 3% for counties with a population greater than 58,000.

O. Hill suggested watching the following for next year on legislation specific to the plans NPERS administers:

LB 196 proposes changes to the Patrol plan's benefit structure and contribution rates.

- An actuarial study is required.
- NPERS has been approached by lobbyists for STAN/SLEBC on a possible amendment. However, we have not seen the amendment.
- O. Hill recommended the actuarial study reflect the provisions of the "final version" of the bill so that accurate information may be provided to the Legislature on the fiscal impact of the legislation to be adopted.

LB 198 will modify the termination of employment and return-to-work rules in the School Plan.

AM 1391 to LB 198 would incorporate the provisions of LB 378 changing the documentation necessary to show eligibility to participate in the retirement plans based on immigration status.

The other legislation listed on the tracker may have a tangential effect on the plans we administer or PERB/NPERS operations (e.g., for the PERB, the changes related to conflicts of interest under the Nebraska Political Accountability and Disclosure Act).

J. Elliott moved to approve the Legal/Legislative Update. Motion was seconded by J. Schulz. Members voted as follows: For: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 10 – Approval of Orron Hill’s Resignation:

A. Simpson moved to approve Orron Hill’s Resignation effective July 7, 2023. Motion was seconded by T. Zimmerman. Members voted as follows: For: K. Ackerman, J. Elliott, J. Schulz, M. Jahnke, T. Zimmerman, G. Clausen, and A. Simpson. Against: None. Motion carried.

Agenda Item 11 – OSERS Transfer Project: J. Deshpande provided an update on the OSERS Transfer Project.

He stated there are 65 total solution requirements in which 15 have been documented and 134 total implementation service requirements in which 14 have been documented.

He reported in May they initiated data conversions for Sprints 1 and 2, completed pending acceptance Sprint 1 General Application Requirements & Employer Related Functionality and Sprint 2 Related Functionality.

The Application Development team completed changes to employer reporting to include new data fields for the OSERS plan to set Omaha Public Schools (OPS) up as a new employer.

June updates include configuring Microsoft Azure for detailed requirement tracking to support OSERS. June will also include submitting remaining deliverable expectation documents for approval, completing Functional Fit Gap Analysis for benefit calculations, configuring general ledger codes in NPRIS, and working on OSERS modifications to NPRIS with Linea and OPS for processing monthly wage and contribution reports. Testing will begin for OSERS participant demographic data loaded into NPRIS, along with designing NPRIS modifications to implement Member Related Fit Gap Analysis and continue data mapping and begin scripting to migrated member account data into NPRIS.

Nine boxes of OSERS documents were sent for scanning to the Secretary of State’s office and NPERS will begin to load the documents into OnBase when configuration is complete. The documents will not be sent back to OPS. NPERS will do a quality assurance review of documents scanned by the Secretary of State’s office.

G. Clausen moved to approve the OSERS Transfer Report. Motion was seconded by T. Zimmerman. Members voted as follows: For: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 12 – Director’s Report: R. Gerke gave the Director’s Report.

- He has been speaking with S. Rhian at OPS regarding the OSERS audit.
- NPERS is in the process of an audit and is currently working on the audit memos and assisting with answering questions.
- School retirement season has started and so far, overtime has not been requested.
- The Refunds team is catching up on distribution requests.

- Internal Audit and Education Services met with County Clerks in Kearney to discuss legislative changes and audit processes. This presentation will be added to the NPERS' website for future reference.
- Employer workshops for the School plan start in July.
- He mentioned LB 31 study regarding reorganization of our benefits area, moving the Death/RMD team under T. Cummings.
- NPERS is still in the planning stages for the Death Audit RFP.
- He mentioned PBI had a cyber-attack in their file-sharing software, MOVEit. NPERS was not affected by this cyber-attack.
- He mentioned how helpful O. Hill has been to NPERS. The legal counsel position has posted as of June 22, 2023, for two weeks. He requested O. Hill to provide a list of outstanding items for the new legal counsel.
- There is a new link on the NPERS website under careers to help with vacancies in the agency.
- NPERS has filled a Developer position in IT, a Retirement Specialist I was filled in the OSERS area as a lateral move, a new trainer in Education Services, and the Graphic Artist position has tentatively been filled. NPERS still has one Retirement Specialist I position open in the OSERS area, a Retirement Specialist I in Member Services, as well as a Retirement Specialist I in the Benefits area. NPERS is still needing an Auditor as well as an SOS Receptionist. The OCIO's office is working to find a Contract Developer. NPERS also needs to fill the Director and Legal Counsel positions.
- He also stated that he will stay on through August and take Thursday's and Friday's off during this time. T. Cummings will be Deputy Director during this time.

T. Zimmerman moved to approve the Director's Report. Motion was seconded by M. Jahnke. Members voted as follows: For: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

Agenda Item 12 – Board Committee Reports: The Director position was reposted and closes July 7, 2023. The Board retreat is July 17, 2023, and there will be 3 presenters, P. Beckham from Cavanaugh MacDonald, Linea, and a fraud speaker. A self-evaluation of the Board will go out in July.

Agenda Item 13 – Board Education/Travel Requests: J. Elliott and K. Ackerman each requested \$4,000 to attend the National Council on Teacher Retirement (NCTR) Annual Conference on October 7-10, 2023, in La Jolla, CA.

G. Clausen moved to approve the \$4,000 in expenses for K. Ackerman and \$4,000 in expenses for J. Elliott to attend the NCTR Annual Conference on October 7-10 in La Jolla, CA. Motion was seconded by T. Zimmerman. Members voted as follows: For: G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Abstain: K. Ackerman and J. Elliott. Against: None. Motion carried.

Agenda Item 14 – Future Meetings/Agendas: The next PERB meeting is July 17, 2023.

Agenda Items 15 and 16 – Executive Session: At 11:40 a.m., M. Jahnke moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing applications of plan members: Case Review No. D-23-6; Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-23-7 Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-23-8 Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-23-9 Prevention of Needless Injury to the Reputation of an Individual; Case Review No. D-23-10 Prevention of Needless Injury to the Reputation of an Individual; Personnel Matters; Protection of Public Interest, Prevention of Needless Injury to the Reputation of an Individual; and Update on Pending Legal Matters; Protection of Public Interest.

Motion was seconded by G. Clausen. K. Ackerman repeated the motion for the record. Members voted as follows: For: J. Elliott, K. Ackerman, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

At 12:49 p.m., M. Jahnke moved the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried. M. Jahnke moved for approval of Case Review No. D-23-6, D-23-7, D-23-8, D-23-9, and D-23-10. The motion was seconded by A. Simpson. Members voted as follows: For J. Elliott, K. Ackerman, T. Zimmerman, J. Schulz, G. Clausen, M. Jahnke, and A. Simpson. Against: None. Motion carried.

Adjournment: M. Jahnke moved that the meeting adjourn. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, J. Elliott, G. Clausen, M. Jahnke, A. Simpson, J. Schulz, and T. Zimmerman. Against: None. Motion carried.

The meeting adjourned at 12:51 p.m.



Randy Gerke
Director